

\$1,000,000,000 in cash and stand-by credits from the International Monetary Fund, the Federal Reserve System of the United States, the Bank of England, and the Export-Import Bank of Washington. After drawing \$650,000,000 of these resources, Canada's official holdings of gold and foreign exchange at the mid-year were \$1,809,000,000.

In the third quarter there were large increases in the official reserves of foreign exchange and other evidences of the restoration of confidence in Canada's ability to defend the exchange rate. A return of short-term capital from abroad contributed initially to the recovery of the reserves and the resumption of long-term capital inflows helped to consolidate the restoration. Accordingly, the above-mentioned international short-term credits were progressively retired so that at the end of 1962 only the drawing of \$300,000,000 from the International Monetary Fund remained outstanding. It was also possible to withdraw some of the surcharges on imports before the end of 1962 and these were all removed by the end of the first quarter of 1963.

From their low point in June 1962, the official holdings of gold and United States dollars increased rapidly to \$1,159,000,000 at the end of the month, \$1,795,000,000 by the end of the third quarter and \$2,239,000,000 by the end of the year, expressed in United States funds and exclusive of the international financial assistance.

Current Account Transactions.—The surplus on merchandise trade,* which emerged in 1961 for the first time since 1954, was maintained in 1962, although at a slightly lower level of \$155,000,000. However, a better than 10-p.c. reduction in net payments on non-merchandise transactions from \$1,155,000,000 to \$1,003,000,000 caused the current account deficit to decline from \$982,000,000 to \$848,000,000 in 1962. The balance on merchandise trade has varied widely, with the peak deficit of \$728,000,000 occurring in 1956, when it accounted for more than one half of the total deficit. On the other hand, the non-merchandise deficit has risen steadily since 1952, except for the decline in 1962.

Since 1954, when merchandise exports and imports were almost equal at \$3,900,000,000, exports have increased fairly steadily to a peak of \$6,364,000,000 in 1962, a 60-p.c. advance. Imports on the other hand have shown wider fluctuations in their growth pattern. The value of imports in current dollars rose more than 40 p.c. in two years to \$5,565,000,000 in 1956 and remained at about that level until 1961, except for a sharp drop of nearly 8 p.c. to \$5,066,000,000 in 1958. In 1962 imports rose more than 8 p.c. over 1961 to a record level of \$6,209,000,000.

In the past decade or so, the relative importance of exports of metals and minerals increased markedly, the relative importance of other materials for industry, such as chemicals and fertilizers, advanced more moderately, and the percentage shares for farm and forest products narrowed visibly. The relative position of wheat and wheat flour, which had been diminishing, recovered sharply in 1961, owing to large shipments of grain to mainland China and other communist countries. Notwithstanding a decline of some 6 p.c. in 1962, exports of wheat and wheat flour in the two most recent years were nearly as high as in 1952 and 1953, which were the years of peak shipments in the past decade. In addition to newer products for export, such as iron ore, uranium, petroleum and natural gas, there were general increases in more traditional staples such as lumber, pulp and paper, nickel, aluminum and copper, with the metal items showing above-average gains. About 80 p.c. of the rise of \$475,000,000 in exports in 1962 originated from larger shipments of farm and fish products other than grain, forestry products excluding newsprint, iron ore, crude petroleum and natural gas, and aircraft and parts. After the substantial gain in 1961, exports of grain and flour declined some 7 p.c. in 1962, with the reductions largely concentrated in shipments to countries in Eastern Europe. For the third successive year, exports of uranium dropped in 1962 to a level slightly more than half that of the peak year

* Commodity trade statistics have been adjusted to reflect more closely the timing of transactions, particularly for investment goods, and to exclude commodities which are either covered elsewhere in the accounts or are not pertinent for balance of payments purposes.